

**CLARION-GOLDFIELD
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS

JUNE 30, 2011

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CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Clint Middleton	President	2011
Missy Schultz		2011
Tim Nagel		2013
Beth Severson		2013
Beth Jackson		2013

School Officials

Dr. Robert Olson	Superintendent
Fern Spellmeyer	District Secretary
Les Loecher (Resigned, April 2011)	District Treasurer
Terry Utech (Appointed, April 2011)	District Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- IRS Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Clarion-Goldfield Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Clarion-Goldfield Community School District, Clarion, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Clarion-Goldfield Community School District at June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

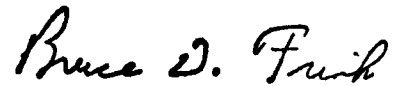
In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2012 on our consideration of Clarion-Goldfield Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 14 and 40 through 42 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarion-Goldfield Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the five years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Bruce D. Frink
Certified Public Accountant

March 16, 2012

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clarion-Goldfield Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,454,996 in fiscal 2010 to \$9,168,880 in fiscal 2011, while General Fund expenditures decreased from \$8,834,544 in fiscal 2010 to \$8,819,944 in fiscal 2011. The District's General Fund balance increased \$421,805 in fiscal 2011.
- The increase in General Fund revenues was largely due to increased property taxes federal ARRA funds and restoration of state aid to prior levels. Cost containment measures across the board also assisted in the balance increase.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Clarion-Goldfield Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Clarion-Goldfield Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Clarion-Goldfield Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity funds, and a multiyear comparison of revenues and expenditures. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Clarion-Goldfield Community School District Annual Financial Report

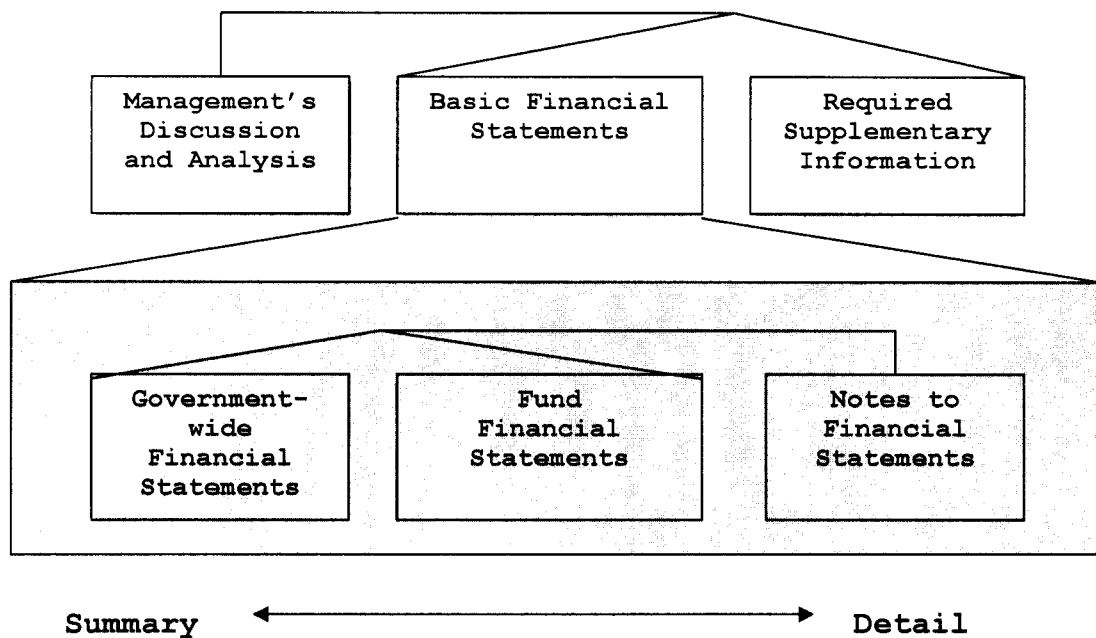


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The District uses Internal Service Funds, the other kind of proprietary fund, to report activities that provide supplies and services for its other programs and activities. The District currently has two Internal Service Funds. The District's Internal Service Funds include the District's employee flexible benefit plan and medical insurance side-fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund. This includes scholarships and the Nurse's fund. The Nurse's fund is financed by donations, specifically given for the purpose of providing necessities for students in need.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to the year ended June 30, 2010.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 6,796	6,949	143	143	6,939	7,092	-2.16%
Capital assets	9,724	9,862	92	92	9,816	9,954	-1.41%
Total assets	<u>16,520</u>	<u>16,811</u>	<u>235</u>	<u>235</u>	<u>16,755</u>	<u>17,046</u>	<u>-1.74%</u>
Current liabilities	4,151	5,456	5	5	4,156	5,461	-23.90%
Non-current liabilities	6,420	6,428	-	-	6,420	6,428	-0.12%
Total liabilities	<u>10,571</u>	<u>11,884</u>	<u>5</u>	<u>5</u>	<u>10,576</u>	<u>11,889</u>	<u>-11.04%</u>
Net Assets							
Invested in capital assets, net of related debt	5,364	4,962	92	92	5,456	5,054	7.37%
Nonspendable	10	-	-	-	10	-	100.00%
Restricted	2,434	1,452	-	-	2,434	1,452	40.35%
Unrestricted	(1,859)	(1,487)	138	138	(1,721)	(1,349)	-27.58%
Total net assets	<u>\$ 5,949</u>	<u>4,927</u>	<u>230</u>	<u>230</u>	<u>6,179</u>	<u>5,157</u>	<u>19.82%</u>

The District's combined net assets increased 20% from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased nearly \$982,000 over the prior year. The increase was primarily a result of an increase in the Capital Projects Fund, Statewide Sales, Services and Use Tax.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenant, enabling legislation or other legal requirements decreased over \$372,000. The largest portion of this decrease (over \$700,000) was due to recognition of retiree health costs that will be payable in future years and spread among several funds.

Figure A-4 show the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 801	689	188	188	989	877	12.77%
Operating grants, contributions and interest	2,152	2,022	216	209	2,368	2,231	6.14%
General revenues:							
Property tax	4,518	4,044	-	-	4,518	4,044	11.72%
Income surtax	305	323	-	-	305	323	-5.57%
Statewide sales, services and use tax	668	400	-	-	668	400	67.00%
Unrestricted state grants	2,846	2,777	-	-	2,846	2,777	2.48%
Unrestricted investment earnings	7	6	-	-	7	6	16.67%
Other	121	52	-	-	121	52	132.69%
Total revenues	11,418	10,313	404	397	11,822	10,710	10.38%
Program expenses:							
Governmental activities:							
Instruction	6,196	7,156	-	-	6,196	7,156	-13.42%
Support Services	2,906	2,945	-	-	2,906	2,945	-1.32%
Non-instructional programs	15	12	437	407	452	419	7.88%
Other expenses	1,279	1,311	-	-	1,279	1,311	-2.44%
Total expenses	10,396	11,424	437	407	10,833	11,831	-8.44%
Change in net assets	\$ 1,022	(1,111)	(33)	(10)	989	(1,121)	-188.22%

Property tax and unrestricted state grants account for 62% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$11,417,619 and expenses were \$10,395,647 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenses for the year ending June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 6,196	7,156	-13.42%	3,801	4,835	-21.39%
Support services	2,906	2,945	-1.32%	2,749	2,919	-5.82%
Non-instructional programs	15	12	25.00%	15	12	25.00%
Other expenses	1,279	1,311	-2.44%	878	947	-7.29%
Totals	\$ 10,396	11,424	-9.00%	7,443	8,713	-14.58%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$800,820 (most of these revenues are derived from tuition and services charged to other school districts and from student activities).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,317,855.
- The net cost of governmental activities was financed with \$4,517,919 in property and other local taxes and \$2,846,464 in unrestricted state grants.

Business Activities

Revenues for the business type activities during the year ended June 30, 2011 were \$403,961 and expenses totaled \$436,904. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. This represents 2% more expenses than revenue. The District continued to replace obsolete kitchen equipment, using nutrition funds. It is intentional to spend down reserved in the nutrition program due to direction provided by the Iowa Department of Education, Nutrition Department. Federal regulations requiring increasing meal prices to close the gap between federal reimbursement and regular pay reimbursement will continue to be accomplished over-time and will increase revenue. This will help makup for lost revenue due to decrease enrollment.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Clarion-Goldfield Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. It should be noted that the committee gave the District permission to raise the tax rate by .50 cents per assessed valuation to increase the cash reserve levy. This is being done to create cash flow, reduce borrowing and close the gap between cash & unspent authority.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balances of \$1,533,348, a 73% increase from last year's ending fund balance of \$887,083.

Governmental Fund Highlights

- The General Fund balance increased from a negative \$236,012 to a plus \$185,793. Restoration of state aid cost containment measures and reallocation of property tax revenues resulted in a nice fund increase.

- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$59,782 in fiscal 2010 to a balance of \$23,303 in fiscal 2011. Revenues continue to increase as corresponding District valuation continues to recover from agricultural devaluation of 2005. Passage of the statewide sales, services and use tax and retirement of PPEL GO Bonds in FY12 will take pressure off the PPEL fund and allow the fund balance to continue to improve. Renewal of the voted PPEL on February 7, 2012 for ten more years, although not technically a part of this audit, will provide the District more flexibility and less financial pressure in conjunction with the retirement of 60 bonds in June of 2012.
- The Management Fund had an ending balance of \$249,718, which is \$40,674 higher than the previous year. The District is limited as to its ability to increase the Management Levy, due to the promise made to District patrons not to raise taxes more than 55 cents per thousand valuation after a successful bond issue. Improvement in District valuation generates more revenue and passage of the statewide sales, services and use tax allows the District to reconfigure debt, allowing more room for increasing the Management Levy without raising the overall tax rate. It is important to continue to increase the management fund balance, to more adequately cover future obligations associated with early retirement.
- The Capital Projects Fund balance increased to \$920,665, compared to \$693,091 last year. Building projects are completed for the most part and the District can begin to accumulate funds for infrastructure and property tax relief.
- District long-term debt is paid using PPEL, statewide sales, services and use tax and debt service. Debt service revenue and payments began in 2008. SILO revenue was used to buy down property taxes normally levied for debt service. This helped the district keep its promise to the public not to raise the district tax levy higher than 55 cents per thousand over the base year, 2007.
- Student Activity Fund balance decreased by \$7,004 with a beginning balance of \$160,248 and ending balance of \$153,244. Gate receipts at athletic events and student fees collected at registration primarily generate revenue in this fund. The Sports Booster Club also provided financial support for athletic expenditures in the way of uniform purchases and other miscellaneous purchases.

Proprietary Fund Highlights

School Nutrition Fund net assets decreased from \$230,298 at June 30, 2010 to \$197,355 at June 30, 2011, representing a decrease of 14%. Internal Service Funds increased from \$356,150 at June 30, 2010 to \$867,351 at June 30, 2011. This was an increase of 24.4%. This was due to retirees being required to contribute more to the plan or seek other coverage and improving plan utilization through moving to an Health Savings Account (HSA) and Health Reimbursement Account (HRA) as base coverage's.

BUDGETARY HIGHLIGHTS

Instruction is one of four budget categories for which the district is required to keep within its adopted budget. The other categories include Support Services, Non-instructional Programs and Other Expenditures. During FY11, District expenditures did not exceed its budget in any of the four functions. The District did not exceed its unspent authorized budget.

The District monitors its budget throughout the year in order that expenditures will not exceed the budget in any of the categories.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$9,804,086, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment (see figure A-6). This represents a net decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$582,296.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 82	82	-	-	82	82	0.00%
Improvements	187	207	-	-	187	207	-9.66%
Buildings	8,991	9,267	-	-	8,991	9,267	-2.98%
Furniture and equipment	464	306	80	92	544	398	36.68%
Totals	<u>\$ 9,724</u>	<u>9,862</u>	<u>80</u>	<u>92</u>	<u>9,804</u>	<u>9,954</u>	<u>-1.51%</u>

Long-term Debt

At June 30, 2011, the District had \$4,360,000 in general obligation bonds, revenue bonds and capital loan notes outstanding. This represents a decrease of approximately 11% from last year (see figure A-7).

In May 9, 2006, the District's voters authorized the issuance of \$4,000,000 in general obligation bonds to pay for renovation and expansion of the middle school and renovation and expansion of the high school including geothermal heating and cooling, completing last phase of the system for the entire high school campus (Phase III & IV of the District's comprehensive facility improvement plan). The remaining balance at June 30, 2011 was \$3,530,000.

The District's total indebtedness also includes earlier projects (Phase I & II) that involved renovation of the high school locker rooms, addition of an art studio, wrestling room and installing a geothermal heating and cooling system to those areas. Funding for Phase I of the project was accomplished by using capital loan notes, repaid using the Physical Plant and Equipment Fund (initial project of \$1,856,454). Phase II was funded using revenue bonds, repaid using one-cent sales tax revenue (initial project of \$1,265,000). Remaining debt totaled \$830,000 at June 30, 2011.

The remaining long-term obligations were associated with early retirement packages. Early retirement packages include cash and benefits. The District's retirement policy was revised in FY2007 to comply with a discrimination ruling in the Des Moines Independent School District. Those changes were implemented in FY2008. The District took advantage of the change process to down size retirement packages to limit District financial liability and corresponding impact on the Management Fund and local property taxes. Medical insurance was changed to limit benefits to ten years, years 6-10 are frozen at year five premium, with the balance paid by the employee (premium rate increases). Cash packages also included payments for unused sick leave at the time of retirement. Downsizing retirement packages has decreased financial liability and helped the District eliminate its negative balance in the Management Fund without raising taxes. See note 9 for additional details regarding postemployment benefits.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$ 3,530	3,695	-4.47%
Revenue bonds	580	710	-18.31%
Capital loan notes	250	495	-49.49%
Early retirement	609	792	-23.11%
Other postemployment benefits	1,451	715	102.94%
Compensated absences	-	19	-100.00%
Total	\$ 6,420	6,426	-0.09%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's taxable valuation will continue to increase about 4% annually until it recovers from the devaluation of agricultural property in 2003. This helps lower property tax rates in the future and increase fixed rate driven revenue for the regular and voted PPEL.
- School financing is highly dependent upon student enrollment. The District's October 2010 enrollment decreased. This drop in enrollment will decrease the District's funding for fiscal year 2011. Enrollment continues to decline with over 100 students less in years 2010 and 2011.
- The economic condition of the state and nation has dramatically impacted state revenue and it is anticipated that the state will run a \$800 million dollar deficit by the end of FY2011. Federal economic stimulus and educational stabilization funds helped, but there will be a large economic problem after the federal money runs out. It is anticipated that education will see difficult times in the future, as the state makes adjustments to its budget. It is possible that the state will make additional across-the-board cuts which shifts the financial burden to local taxpayers.
- The District transportation costs are greatly impacted by cost of labor, equipment and fuel. EPA requirements have almost doubled the cost of school buses over the last five years. Fuel prices have moderated in FY11, but it is uncertain how the nation's energy policies will continue to impact prices in the future that greatly impacts the cost of running over 205,000 miles of transporting students. Eliminating bus routes and sharing a transportation director with Eagle Grove have been helpful cost saving strategies. State sharing incentive moneys for sharing a transportation director and superintendent have been helpful, but expire in fiscal year 2013.
- Clarion-Goldfield Education Teacher Association (CGEA) and the District agreed to a one-year settlement of 3.35% for FY2010, compared to 3.97% of anticipated formula revenue growth. This is the first time in recollections that a settlement did not exceed "new money". It is unfortunate that the state chose to cut Phase I dollars, that directly impacts teacher salaries. It is anticipated that this cut individual teacher salaries by about \$405. The District will continue to battle conflicting forces associated with declining enrollment/revenue and operating cost increases and higher academic expectations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Robert Olson, Superintendent, Clarion-Goldfield Community School District, 319 3rd Avenue NE, Clarion, IA 50525.

Basic Financial Statements

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash	\$ 2,244,620	104,437	2,349,057
Receivables:			
Property tax:			
Current year	45,296	-	45,296
Succeeding year	3,822,616	-	3,822,616
Succeeding year income surtax	282,243	-	282,243
Due from other governments	386,873	-	386,873
Other receivables	4,405	7,617	12,022
Inventories	-	11,137	11,137
Prepaid expenses	9,930	-	9,930
Capital assets, net of accumulated depreciation	9,724,463	79,623	9,804,086
Total assets	16,520,446	202,814	16,723,260
Liabilities			
Accounts payable	184,721	718	185,439
Accrued payroll and benefits	3,125	-	3,125
Accrued interest payable	38,094	-	38,094
Deferred revenue:			
Succeeding year property tax	3,822,616	-	3,822,616
Prepaid revenues	-	4,741	4,741
Federal programs	102,579	-	102,579
Long term liabilities:			
Portion due within one year:			
Revenue bonds payable	135,000	-	135,000
General obligation bonds	170,000	-	170,000
Capital loan notes payable	250,000	-	250,000
Early retirement payable	164,268	-	164,268
Portion due after one year:			
Revenue bonds payable	445,000	-	445,000
General obligation bonds	3,360,000	-	3,360,000
Early retirement payable	444,623	-	444,623
Net OPEB liability	1,451,253	-	1,451,253
Total liabilities	10,571,279	5,459	10,576,738
Net assets			
Invested in capital assets, net of related debt	5,364,463	79,623	5,444,086
Nonspendable	9,930	-	9,930
Restricted for:			
Categorical funding	218,690	-	218,690
Student activities	153,244	-	153,244
Management levy	249,718	-	249,718
School infrastructure	920,665	-	920,665
Physical plant and equipment levy	23,303	-	23,303
Debt service	625	-	625
Health insurance	867,351	-	867,351
Unrestricted	(1,858,822)	117,732	(1,741,090)
Total net assets	\$ 5,949,167	197,355	6,146,522

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	\$ 6,195,619	720,133	1,674,144	(3,801,342)	-	(3,801,342)
Support services:						
Student services	372,837	-	-	(372,837)	-	(372,837)
Instructional staff services	279,272	-	-	(279,272)	-	(279,272)
Administration services	994,269	80,340	-	(913,929)	-	(913,929)
Operation and maintenance of plant services	777,266	-	76,103	(701,163)	-	(701,163)
Transportation services	482,311	347	-	(481,964)	-	(481,964)
	2,905,955	80,687	76,103	(2,749,165)	-	(2,749,165)
Non-instructional programs	14,896	-	-	(14,896)	-	(14,896)
Other expenditures:						
Facilities acquisition	129,994	-	44,613	(85,381)	-	(85,381)
Interest on long term debt	222,509	-	306	(222,203)	-	(222,203)
Long-term debt service	250	-	-	(250)	-	(250)
AEA flowthrough	356,650	-	356,650	-	-	-
Depreciation (unallocated)*	569,774	-	-	(569,774)	-	(569,774)
	1,279,177	-	401,569	(877,608)	-	(877,608)
Total governmental activities	10,395,647	800,820	2,151,816	(7,443,011)	-	(7,443,011)

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
Expenses				Total
Business Type activities:				
Non-instructional programs:				
Nutrition services	436,904	188,188	215,773	-
				(32,943)
Total	\$ 10,832,551	989,008	2,367,589	(7,443,011)
				(32,943)
				(7,475,954)
General Revenues:				
Property tax levied for:				
General purposes			\$ 3,434,268	-
Management fund			400,020	-
Debt service			169,366	-
Capital outlay			514,265	-
Income surtax			305,427	-
Statewide sales, services and use tax			667,901	-
Unrestricted state grants			2,846,464	-
Unrestricted investment earnings			6,722	-
Other			120,550	-
				120,550
Total general revenues			8,464,983	-
				8,464,983
Change in net assets			1,021,972	(32,943)
				989,029
Net assets beginning of year (as restated)			4,927,195	230,298
				5,157,493
Net assets end of year			\$ 5,949,167	197,355
				6,146,522

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales	Physical Plant and Equipment	Levy	Use Tax		
Liabilities:									
Accounts payable	157,943	3,392	8,784	250	11,623			2,729	184,721
Accrued payroll and benefits	3,125	-	-	-	-			-	3,125
Deferred revenue:									
Succeeding year property tax	2,782,440	-	370,000	-	365,381			304,795	3,822,616
Succeeding year income surtax	282,243	-	-	-	-			-	282,243
Federal programs	102,579	-	-	-	-			-	102,579
Total liabilities	3,328,330	3,392	378,784	250	377,004			307,524	4,395,284
Fund balances:									
Nonspendable	9,930	-	-	-	-			-	9,930
Restricted for:									
Categorical funding	218,690	-	-	-	-			-	218,690
Student activities	-	153,244	-	-	-			-	153,244
Management levy	-	-	249,718	-	-			-	249,718
School infrastructure	-	-	-	920,665	-			-	920,665
Physical plant and equipment levy	-	-	-	-	23,303			-	23,303
Debt service	-	-	-	-	-			625	625
Unassigned	(42,827)	-	-	-	-			-	(42,827)
Total fund balances	185,793	153,244	249,718	920,665	23,303			625	1,533,348
Total liabilities and fund balances	\$ 3,514,123	156,636	628,502	920,915	400,307			308,149	5,928,632

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)	\$ 1,533,348
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	282,243
Internal Service fund assets that are to be included with governmental funds.	867,351
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,724,463
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(38,094)
Long-term liabilities, including bonds payable, capital loan notes, early retirement payments and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.	<u>(6,420,144)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 5,949,167</u>

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales	Physical Plant and Equipment	Levy			
Revenues:									
Local sources:									
Local tax	\$ 3,722,589	-	400,020	667,901	514,265		169,366		5,474,141
Tuition	720,133	-	-	-	-		-		720,133
Other	205,629	286,190	16,540	44,613	59,191		238		612,401
State sources	3,928,358	-	166	-	206		68		3,928,798
Federal sources	592,171	-	-	-	-		-		592,171
Total revenues	9,168,880	286,190	416,726	712,514	573,662		169,672		11,327,644
Expenditures:									
Instruction	5,618,604	293,194	228,495	162,117	42,505		-		6,344,915
Support services									
Student services	367,119	-	5,718	-	-		-		372,837
Instructional staff services	279,272	-	-	-	-		-		279,272
Administration	962,288	-	22,155	1,551	6,125		2,150		994,269
Operation and maintenance of plant services	784,229	-	78,112	-	9,278		-		871,619
Transportation services	451,782	-	29,429	-	1,100		-		482,311
	2,844,690	-	135,414	1,551	16,503		2,150		3,000,308
Non-instructional programs:									
Food service operations	-	-	12,143	-	2,753		-		14,896
Other expenditures:									
Facilities acquisition	-	-	-	89,601	207,104		-		296,705
Principal on long-term debt	-	-	-	-	-		540,000		540,000
Interest on long-term debt	-	-	-	-	-		200,524		200,524
Long-term debt services	-	-	-	250	-		-		250
AEA flowthrough	356,650	-	-	-	-		-		356,650
	356,650	-	-	89,851	207,104		740,524		1,394,129
Total expenditures	8,819,944	293,194	376,052	253,519	268,865		742,674		10,754,248

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Statewide Sales Service and Use Tax	Capital Projects Physical Plant and Equipment Levy	Debt Service	Total
Excess (Deficiency) of revenues over (under) expenditures	348,936	(7,004)	40,674	458,995	304,797	(573,002)	573,396
Other financing sources (uses):							
Proceeds from sale of personal property	72,869	-	-	-	-	-	72,869
Operating transfers in	-	-	-	-	-	572,697	572,697
Operating transfers out	-	-	-	(231,421)	(341,276)	-	(572,697)
	72,869	-	-	(231,421)	(341,276)	572,697	72,869
Net change in fund balances	421,805	(7,004)	40,674	227,574	(36,479)	(305)	646,265
Fund balances beginning of year	(236,012)	160,248	209,044	693,091	59,782	930	887,083
Fund balances end of year	\$ 185,793	153,244	249,718	920,665	23,303	625	1,533,348

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 646,265

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This represents the change from the prior fiscal year.

17,106

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 432,199	
Depreciation expense	<u>(569,774)</u>	(137,575)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

540,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	183,490	
Other postemployment benefits	(735,919)	
Compensated absences	<u>19,389</u>	(533,040)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(21,985)

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures.

511,201

Change in net assets of governmental activities (Exhibit B) \$ 1,021,972

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2011

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Assets		
Cash	\$ 104,437	867,351
Other receivables	7,617	-
Inventories	11,137	-
Capital assets, net of accumulated depreciation	79,623	-
Total assets	<u>202,814</u>	<u>867,351</u>
Liabilities		
Accounts payable	718	-
Prepaid revenues	4,741	-
Total liabilities	<u>5,459</u>	<u>-</u>
Net Assets		
Invested in capital assets, net of related debt	79,623	-
Restricted for health insurance	-	867,351
Unrestricted	117,732	-
Total net assets	<u>\$ 197,355</u>	<u>867,351</u>

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 188,188	1,643,048
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	156,235	-
Benefits	77,321	-
Services	8,295	-
Supplies	182,531	-
Depreciation	12,522	-
	436,904	-
Internal service programs:		
Benefits	-	1,131,847
Total operating expenses	436,904	1,131,847
Operating income (loss)	(248,716)	511,201
Non-operating revenues:		
Local sources	1,160	-
State sources	3,849	-
Federal sources	210,764	-
	215,773	-
Net change in fund net assets	(32,943)	511,201
Net assets beginning of year	230,298	356,150
Net assets end of year	\$ 197,355	867,351

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Cash flows from operating activities:		
Cash received from sale of services	\$ 188,232	1,643,048
Cash payments to employees for services	(233,556)	(1,255,263)
Cash payments to suppliers for goods or services	(159,153)	-
Net cash provided by (used by) operating activities	(204,477)	387,785
Cash flows from non-capital financing activities:		
State grants received	3,849	-
Federal grants received	181,880	-
Net cash provided by non-capital financing activities	185,729	-
Cash flows from investing activities:		
Interest on investments	1,160	-
Net increase (decrease) in cash and cash equivalents	(17,588)	387,785
Cash and cash equivalents beginning of year	122,025	479,566
Cash and cash equivalents end of year	\$ 104,437	867,351
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:		
Operating income (loss)	\$ (248,716)	511,201
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:		
Depreciation	12,522	-
Commodities used	28,884	-
Decrease in other receivables	44	-
Decrease in inventory	2,733	-
Increase (decrease) in accounts payable	56	(123,416)
	\$ (204,477)	387,785

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$28,884.

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2011

	Private Purpose Trusts
Assets	
Cash	\$ 149,815
Total assets	<u>149,815</u>
Liabilities	
Accounts payable	<u>250</u>
Net Assets	
Reserved for scholarships	146,262
Reserved for student personal needs	<u>3,303</u>
Total net assets	<u>\$ 149,565</u>

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trusts
	<u> </u>
Additions:	
Local sources:	
Interest on investments	\$ 1,143
Contributions	<u>3,380</u>
Total additions	<u>4,523</u>
Deductions:	
Support services:	
Student personal needs	824
Scholarships	<u>15,500</u>
Total deductions	<u>16,324</u>
Change in net assets	(11,801)
Net assets beginning of year	<u>161,366</u>
Net assets end of year	<u>\$ 149,565</u>

See notes to financial statements.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Clarion-Goldfield Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Clarion and Goldfield, Iowa, and agricultural area in Wright, Humboldt, and Hancock Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Clarion-Goldfield Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Clarion-Goldfield Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wright County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund, Physical Plant and Equipment Levy, is utilized to account for the maintenance and equipping of the District's facilities.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects Fund, Statewide Sales, Services and Use Tax, is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ -
Buildings	5,000
Improvements other than buildings	5,000
Intangible assets	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets we depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Intangible assets	5-10 years
Furniture and equipment	5-20 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent grant proceeds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2011.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 82,379	-	-	82,379
Capital assets being depreciated:				
Buildings	13,388,217	166,711	-	13,554,928
Improvements other than buildings	681,047	-	-	681,047
Furniture and Equipment	1,215,007	265,488	-	1,480,495
Total capital assets being depreciated	15,284,271	432,199	-	15,716,470
Less accumulated depreciation for:				
Buildings	4,121,079	442,932	-	4,564,011
Improvements other than buildings	474,105	19,410	-	493,515
Furniture and Equipment	909,428	107,432	-	1,016,860
Total accumulated depreciation	5,504,612	569,774	-	6,074,386
Total capital assets being depreciated, net	9,779,659	(137,575)	-	9,642,084
Governmental activities, capital assets, net	\$ 9,862,038	(137,575)	-	9,724,463
Business type activities:				
Furniture and Equipment	\$ 170,702	-	-	170,702
Less accumulated depreciation	78,557	12,522	-	91,079
	\$ 92,145	(12,522)	-	79,623
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 569,774
Business type activities:				
Food service operations				\$ 12,522

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Non-major Governmental Funds: Capital Projects Fund, Debt Service Fund	Physical Plant and Equipment Levy	\$341,276
Non-major Governmental Funds: Capital Projects Fund, Statewide Debt Service Fund	Sales, Services and Use Tax	231,421
		<u>\$572,697</u>

These transfers moved revenues from the funds statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2011 are as follows:

	<u>Balance Beginning Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$3,695,000	-	165,000	3,530,000	170,000
Other Postemployment Benefits	715,334	735,919	-	1,451,253	-
Statewide Sales, Services and Use Tax Revenue Bonds	710,000	-	130,000	580,000	135,000
Capital Loan Notes	495,000	-	245,000	250,000	250,000
Termination Benefits	792,381	-	183,490	608,891	164,268
Compensated Absences	19,389	-	19,389	-	-
Total	<u>\$6,427,104</u>	<u>735,919</u>	<u>742,879</u>	<u>6,420,144</u>	<u>719,268</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have reached the age of fifty-five, must be on the top of the salary schedule, and/or has accrued 15 years of continuous service in the Clarion-Goldfield Community School District. The application for early retirement is subject to approval by the Board of Education.

Early retirement cash benefits are based on a percentage of the retiree's last contracted salary and the District will pay for single health insurance premiums until the retiree is eligible for Medicare.

Early retirement cash benefits will be paid in no more than three equal installments.

At June 30, 2011, the District has obligations to fourteen participants with a total liability of \$608,891. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$183,490.

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	4.375%	\$ 170,000	155,233	325,233
2013	4.375	180,000	147,795	327,795
2014	4.400	185,000	139,920	324,920
2015	4.400	195,000	131,780	326,780
2016	4.400	205,000	123,200	328,200
2017-2021	4.400	1,150,000	474,100	1,624,100
2022-2026	4.400	1,445,000	196,240	1,641,240
Total		<u>\$3,530,000</u>	<u>1,368,268</u>	<u>4,898,268</u>

Revenue Bonds Payable

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 2004			
	Interest Rates	Interest	Principal	Total
2012	3.10%	\$17,698	135,000	152,698
2013	3.30	13,295	140,000	153,295
2014	3.50	8,359	150,000	158,359
2015	3.70	<u>2,868</u>	<u>155,000</u>	<u>157,868</u>
		<u>\$42,220</u>	<u>580,000</u>	<u>622,220</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,265,000 bonds issued in April 2004. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues and received by the District and are payable through 2015. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 40 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$622,220. For the current year, \$130,000 principal and \$21,610 interest was paid on the bonds and total statewide sales, services and use tax revenues were \$667,901.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- The bonds will only be redeemed from the future earnings of the statewide sales, services and use tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- \$126,500 of the proceeds from the bond issue were placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is a part of the Capital Projects Fund and is reserved for debt service.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account with a trustee. The trustee will make monthly transfers from the revenue account to the sinking account. The required monthly payment to the sinking account shall equal 1/6 of the installment of interest coming due on the next interest payment date and 1/12 of the installment of principal coming due on the next principal payment date. Money in the sinking account shall be used to pay the interest and principal on the bonds. The sinking fund is part of the Capital Projects Fund, Statewide Sales, Services and Use Tax and is reserved for debt service.

Capital Loan Notes

The District issued \$1,825,000 of capital loan notes in August 2003. These notes and the interest will be paid from the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the capital loan notes are as follows:

Year Ending June 30,				
	Interest Rates	Interest	Principal	Total
2012	3.40%	<u>\$8,500</u>	<u>250,000</u>	<u>258,500</u>

During the year ended June 30, 2011 the District made principal and interest payments totaling \$261,463 under the note agreements.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$363,656, \$306,228 and \$305,367 respectively, equal to the required contributions for each year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$356,650 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Risk Management

Clarion-Goldfield Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District maintains its own self-funded insurance plan. The District purchases insurance to cover aggregate and specific excess losses. The self-funded health insurance plan is accounted for in the Internal Service Fund. The fund actuary found the plan to be in accordance with generally accepted actuarial standards and being operated on a sound financial basis.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 103 active and 26 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 969,299
Interest on net OPEB Obligation	17,906
Adjustment to annual required contribution	(86,890)
Annual OPEB Cost	<u>900,315</u>
Contributions made	164,396
Increase in net OPEB obligation	<u>735,919</u>
Net OPEB obligation beginning of year	<u>715,334</u>
Net OPEB obligation end of year	<u>\$1,451,253</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed approximately \$164,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$884,913	19.2%	\$ 715,334
June 30, 2011	\$969,299	18.3%	\$1,451,253

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$6.848 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$6.848 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,300,000 and the ratio of the UAAL to covered payroll was 129.0%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.50% discount rate based on the District's funding policy. The annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Anticipatory Warrants

The District borrowed \$500,000 from First Citizens National Bank in June, 2010 to enable it to meet all of its financial obligations. The debt was repaid with proceeds of General Fund tax levy in November, 2010.

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	59,782
Change in fund type classification per implementation of GASB Statement No. 54	<u>59,782</u>	<u>(59,782)</u>
Balances July 1, 2010, as restated	<u>\$59,782</u>	<u>-</u>

Required Supplementary Information

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 6,806,675	189,348	6,996,023	6,119,977	6,119,977	876,046
State sources	3,928,798	3,849	3,932,647	5,045,658	5,045,658	(1,113,011)
Federal sources	592,171	210,764	802,935	783,418	783,418	19,517
Total revenues	<u>11,327,644</u>	<u>403,961</u>	<u>11,731,605</u>	<u>11,949,053</u>	<u>11,949,053</u>	<u>(217,448)</u>
Expenditures/Expenses						
Instruction	6,344,915	-	6,344,915	7,368,815	7,368,815	1,023,900
Support services	3,000,308	-	3,000,308	3,990,000	3,990,000	989,692
Non-instructional programs	14,896	436,904	451,800	690,000	690,000	238,200
Other expenditures	1,394,129	-	1,394,129	1,603,476	1,603,476	209,347
Total expenditures/expenses	<u>10,754,248</u>	<u>436,904</u>	<u>11,191,152</u>	<u>13,652,291</u>	<u>13,652,291</u>	<u>2,461,139</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	573,396	(32,943)	540,453	(1,703,238)	(1,703,238)	2,243,691
Other financing sources (uses)	<u>72,869</u>	<u>-</u>	<u>72,869</u>	<u>1,000</u>	<u>1,000</u>	<u>71,869</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	646,265	(32,943)	613,322	(1,702,238)	(1,702,238)	2,315,560
Balance beginning of year	887,083	230,298	1,117,381	1,804,685	1,804,685	(687,304)
Balance end of year	<u>\$ 1,533,348</u>	<u>197,355</u>	<u>1,730,703</u>	<u>102,447</u>	<u>102,447</u>	<u>1,628,256</u>

See accompanying independent auditor's report.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$7,027	\$7,027	0.0%	\$5,600	125.5%
2011	Jul 1, 2009	\$0	\$6,848	\$6,848	0.0%	\$5,300	129.2%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Vending machine	\$ 21,104	896	1,083	20,917
Concessions	6,208	24,973	23,211	7,970
Classes	3,891	5,091	789	8,193
Spanish club	23,618	18,864	27,645	14,837
MS student senate	247	-	-	247
MS peer helper	9,137	14,951	16,462	7,626
Cheerleaders	(925)	8,474	8,586	(1,037)
FBLA	378	339	34	683
Student council	1,378	5,266	9,674	(3,030)
Athletics	20,949	118,812	128,637	11,124
Vocal music	5,646	2,556	4,723	3,479
MS vocal	5,979	7,060	4,672	8,367
MS band	1,888	8,114	7,229	2,773
Drama/speech	7,736	3,244	4,033	6,947
FFA	26,126	42,175	32,084	36,217
NHS	1,304	1,578	1,124	1,758
Lasso	7,024	5,840	6,766	6,098
Architecture Club	1,839	8,036	8,077	1,798
Science Club	2,524	2,179	1,280	3,423
JEL	800	-	-	800
FCCLA	1,123	1,161	20	2,264
HS band	7,111	651	7,065	697
Dance	434	4,355	-	4,789
Interest	4,729	1,575	-	6,304
Total	\$ 160,248	286,190	293,194	153,244

See accompanying independent auditor's report.

For the Last Eight Years

See accompanying independent auditor's report.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY11	\$ 21,875
Special Milk Program	10.556	FY11	1,664
Food Distribution (non-cash)	10.555	FY11	28,884
National School Lunch Program	10.555	FY11	<u>158,341</u>
			<u>210,764</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY11	34,873
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	84,986
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	FY11	47,736
ARRA - State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397	FY11	39,399
Grants for Assessments and Related Activities	84.369	FY11	5,629
Title III - English Language Acquisition State Grants	84.365	FY11	4,660
Vocational Education - Basic Grants to States	84.048	FY11	9,591
Education Jobs Fund	84.410	FY11	167,841
Area Education Agency 8:			
Special Education - Grants to States (IDEA Part B)	84.027	FY11	41,699
ARRA - Special Education Grants to States, Recovery Act	84.391	FY11	<u>87,865</u>
Total			<u>\$ 735,043</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clarion-Goldfield Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of the
Clarion-Goldfield Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Clarion-Goldfield Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarion-Goldfield Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Clarion-Goldfield Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarion-Goldfield Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

Compliance and Other Matters

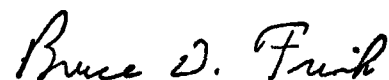
As part of obtaining reasonable assurance about whether Clarion-Goldfield Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clarion-Goldfield Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Clarion-Goldfield Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarion-Goldfield Community School District and other parties to whom Clarion-Goldfield Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarion-Goldfield Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 16, 2012

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
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- Extended Hours During Tax Season

To the Board of Education of
Clarion-Goldfield Community School District:

Compliance

We have audited the compliance of Clarion-Goldfield Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Clarion-Goldfield Community School District's major federal programs for the year ended June 30, 2011. Clarion-Goldfield Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Clarion-Goldfield Community School District's management. Our responsibility is to express an opinion on Clarion-Goldfield Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clarion-Goldfield Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clarion-Goldfield Community School District's compliance with those requirements.

In our opinion, Clarion-Goldfield Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

The management of Clarion-Goldfield Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Clarion-Goldfield Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clarion-Goldfield Community School District's internal control over compliance.

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

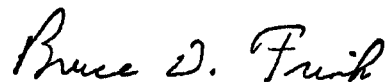
Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Clarion-Goldfield Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Clarion-Goldfield Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarion-Goldfield Community School District and other parties to whom Clarion-Goldfield Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

March 16, 2012

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.410 - Education Jobs Fund
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - School Nutrition Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - Special Milk Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarion-Goldfield Community School District did not qualify as a low-risk auditee.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- II-A-11 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

- II-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number: 84.410 - Education Jobs Fund

CDFA Number: 84.010 - Title I Grants to Local Educational Agencies

Federal Award Year: 2011

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.533 - School Breakfast Program

CFDA Number: 10.555 - National School Lunch Program

CFDA Number: 10.556 - Special Milk Program

Federal Award Year: 2011

US Department of Agriculture

Passed through Iowa Department of Education

III-A-11 Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, did not exceed the certified budgeted amounts in any of the four functions. The District did not exceed the General Fund unspent authorized budget.
- IV-B-11 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-11 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-H-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-I-11 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-J-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

CLARION-GOLDFIELD COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:
(continued)

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$693,091
Revenues/transfers in:		
Statewide sales, services and use tax	\$667,901	
Other local sources	<u>44,613</u>	<u>712,514</u>
Expenditures/transfers out:		
Debt service for school infrastructure:		
Equipment	175,697	
Building improvements	64,044	
Revenue bonds	231,421	
Community service	<u>13,778</u>	<u>484,940</u>
Ending balance		<u>\$920,665</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2011 is equivalent to a reduction in the following levies:

	Per \$1,000 Of Taxable Valuation	Property Tax Dollars
Debt Service	\$ <u>.75</u>	\$ <u>231,421</u>

IV-M-11 Use of Statewide Sales, Services and Use Tax - We noted that the District paid \$13,778 for payroll expenses involved with "Connections", an after school program designed to help students academically outside of the regular school day. This does not appear to be in compliance with the most recent rulings issued by the Iowa Department of Education in regards to "community education".

Recommendation - We recommend that the District consult its legal counsel to determine if it feels the expenditures are allowable. The General Fund should reimburse the Capital Projects Fund, Statewide Sales, Services and Use Tax.

Response - We will consult legal counsel and take appropriate action. The District continues to contend that the Director of the Connections program is a Community Education Director who makes "Connections" between the students in the after school program and parents to improve student educational support at home (community) and student performance at school.

Conclusion - Response accepted.